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June 27, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2008-00044
Nolin R.E.C.C.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 27, 2008.

Executive Director

SS/tw
Enclosure



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RE: Case No. 2008-00044
Nolin R.E.C.C.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 27, 2008.

Handwritten signature of Stephanie Stumbo in cursive script.

Executive Director

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AN ORDER)	
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)	
SECTION 11 AND RELATED SECTIONS,)	CASE NO.
AUTHORIZING THE COOPERATIVE TO OBTAIN A)	2008-00044
LOAN IN THE AMOUNT OF \$40,000,000.00 FROM)	
THE NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION)	

O R D E R

On February 21, 2008, Nolin Rural Electric Cooperative Corporation ("Nolin") filed its application for authorization to obtain a loan in the amount of \$40,000,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC").¹ The proceeds of the loan will be used to finance projects associated with the Demand Side Management and Energy Efficiency Services Modification Agreements ("DSM Contract") between Nolin and the Fort Knox Military Base ("Fort Knox"). Nolin previously was authorized to borrow \$35,000,000 in Case No. 2003-00079² and \$24,000,000 in Case No. 2005-

¹ Nolin submitted the application on February 4, 2008; however, the application was rejected due to deficiencies. On February 21, 2008, Nolin provided additional information to address the deficiencies and the application was deemed filed on February 21, 2008.

² Case No. 2003-00079, The Application of Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Borrow an Amount Not to Exceed \$35,000,000 from the National Rural Utilities Cooperative Finance Corporation, final Order dated April 17, 2003.

00493³ in conjunction with the Fort Knox DSM Contract projects. All funds available under those loans have been completely drawn down.

The financing will have a term of 15 years, with a maximum amortization period of 10 years for each advance of loan funds.⁴ The financing will be supported by an Intercreditor Agreement⁵ between CFC and the Rural Utilities Service ("RUS"). Nolin has submitted the request for the Intercreditor Agreement to RUS and the request is currently pending.

Fort Knox pays Nolin for the costs of all DSM Contract projects plus a multiplier of 1.05 percent. Prior to each advance on the loan, Nolin may select either a fixed or variable interest rate. During the term of the loan, Nolin can change interest rate options at the time of repricing or can convert to a different interest rate option anytime during the term of the loan, subject to the terms and conditions in the CFC Loan

³ Case No. 2005-00493, Application of the Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Obtain a Loan in the Amount of \$24,000,000.00 from the National Rural Utilities Cooperative Finance Corporation, final Order dated March 10, 2006.

⁴ Response to the Commission Staff's First Data Request dated March 14, 2008, Item 4.

⁵ The Intercreditor Agreement provides for certain payment priorities with respect to the CFC military base loan in the event of an exercise of remedies upon an event of default.

Agreement.⁶ For the previous CFC loans, Fort Knox requested that Nolin use the variable interest rate option, which was consistent with the terms of the DSM Contract.⁷

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The loan from CFC in the amount of \$40,000,000 is for lawful objects within the corporate purposes of Nolin, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. The CFC loan is secured by the revenues and reimbursements Nolin receives from Fort Knox under the DSM Contract, as described in this record.

3. When Nolin draws down funds from the CFC loan, it should include in its corresponding monthly financial report to the Commission the current outstanding balance on the CFC loan before the draw down, the amount to be drawn down from the CFC loan, and the interest rate on the amount being drawn down.

4. Nolin should include in its annual financial report to the Commission a separate disclosure on the status of the CFC loan, including the current interest rate and expense for the DSM Contract project loan and the outstanding balance of the loan.

5. The proceeds from the proposed loan should be used for only the lawful purpose set out in Nolin's application.

⁶ Response to the Commission Staff's First Data Request dated March 14, 2008, Item 6, pages 8 and 9 of 25.

⁷ Case No. 2003-00079, April 17, 2003 Order at 2 and Case No. 2005-00493, March 10, 2006 Order at 2.

6. Within 10 days of its receipt, Nolin should file a copy of the RUS Intercreditor Agreement with the Commission.

IT IS THEREFORE ORDERED that:

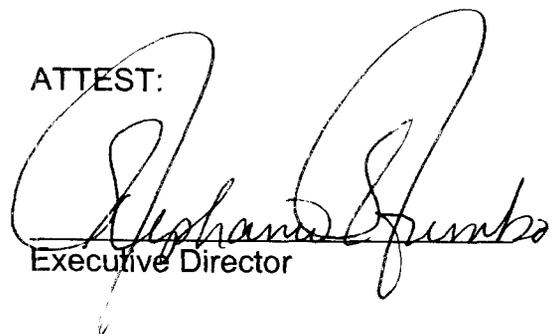
1. Nolin is authorized to borrow \$40,000,000 from CFC for a 15-year period bearing an interest rate as described in the CFC Loan Agreement.
2. Nolin is authorized to secure the loan as described in its application.
3. Nolin shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities or financing authorized herein.

Done at Frankfort, Kentucky, this 27th day of June, 2008.

By the Commission

ATTEST:


Executive Director